142nd Annual Report

BANK OF MONTREAL

FOR THE YEAR ENDED OCTOBER 31, 1959

A Red-Letter Day...

Against the impressive background of Montreal's uptown skyline, the final girder settled into position 280 feet above Craig Street on June 30th, to mark the completion of the steelwork for the Bank's new building at the corner of St. James and St. Francois Xavier Streets. A progress report on the new building appears on page 19.

BANK OF MONTREAL

CANADA'S FIRST BANK

142nd Annual Report

Annual General Meeting

December 7th, 1959, at the

Head Office in Montreal

In its 142nd year

YOUR BANK . . .

welcomed 169,000 new depositors, both business and personal — the highest increase on record — bringing the total number to 2,690,000 . . .

raised its paid-up capital, following a new issue of capital stock to $60,649,513 — the highest in Canadian banking history — with total shareholders' funds rising to $201,350,731 . . .

increased its total loans by $356,000,000 to a new high figure of $1,773,000,000 . . .

enlarged its number of shareholders by 2,700, bringing the total to more than 21,000 . . .

reported record earnings of $24,833,660, out of which it provided $12,642,600 for taxes and $10,684,730 for dividends . . .

raised dividend payments by 20 cents a share, to bring the annual dividend to $1.85, compared to $1.65 the previous year . . .

expanded its branch organization by 49 offices during the year, to bring the total number in Canada and abroad to 810 . . .

assisted in the expansion of the Bank of London & Montreal Limited, to bring its branch organization in the Caribbean area to 20 offices.

Board of Directors

Chairman of the Board: *ARTHUR C. JENSEN

President: *G. ARNOLD HART

Vice-Presidents

*J. A. MACAULAY, Q.C., *Winnipeg*
Partner, Messrs. Aikins, MacAulay, Moffat, Dickson, Hinch & McGavin

*R. G. IVEY, Q.C., *London*
Partner, Messrs. Ivey, Livermore & Dowler

G. BLAIR GORDON, *Montreal*
President, Dominion Textile Company Limited

ROBERT A. LAIDLAW, *Toronto*
Director, R. Laidlaw Lumber Co. Ltd.

J. V. R. PORTEOUS, *Montreal*
President, Greenshields, Hodgson, Racine, Ltd.

R. C. BERKINSHAW, C.B.E., LL.D., *Toronto*
Chairman of the Board, Goodyear Tire & Rubber Co. of Canada Ltd.

HENRY G. BIRKS, *Montreal*
President, Henry Birks & Sons Ltd.

R. E. STAVERT, *Montreal*
Chairman, The Consolidated Mining & Smelting Company of Canada, Limited

*GEORGE W. BOURKE, *Montreal*
President, Sun Life Assurance Company of Canada

NOAH A. TIMMINS, JR., *Montreal*
President, Timmins Investments Limited

COL. THE HON. CLARENCE WALLACE, C.B.E., *Vancouver*
President, Burrard Dry Dock Co. Ltd.

*THE HON. HARTLAND DEM. MOLSON, O.B.E., *Montreal*
President, Molson's Brewery Limited

*H. GREVILLE SMITH, C.B.E., *Montreal*
Chairman of the Board, British Newfoundland Corporation Limited

*R. E. POWELL, *Montreal*
Industrialist

HAROLD S. FOLEY, *Vancouver*
Chairman of the Board, Powell River Company Limited

H. G. HILTON, *Hamilton*
Chairman and Chief Executive Officer, The Steel Company of Canada Limited

W. A. ARBUCKLE, *Montreal*
Chairman of the Canadian Board, The Standard Life Assurance Company

T. W. EADIE, *Montreal*
President, The Bell Telephone Co. of Canada

HENRY S. WINGATE, *New York*
President, The International Nickel Company of Canada, Limited

N. R. CRUMP, *Montreal*
President, Canadian Pacific Railway Company

H. ROY CRABTREE, *Montreal*
Chairman and President, Woods Manufacturing Company Limited

RALPH B. BRENAN, *Saint John, N.B.*
President and Managing Director, G. E. Barbour Company, Limited

*THE RT. HON. CLARENCE D. HOWE, P.C., *Montreal*
Chairman of the Board, Price Brothers & Company, Limited

H. C. F. MOCKRIDGE, Q.C., *Toronto*
Partner, Messrs. Osler, Hoskin & Harcourt

JACK PEMBROKE, C.B.E., *Montreal*
President, The Royal Trust Company

PAUL BIENVENU, *Montreal*
President, Catelli Food Products Ltd.

D. R. MCMASTER, Q.C., *Montreal*
Partner, Messrs. Holden, Hutchison, Cliff, McMaster, Meighen & Minnion

KENNETH J. MORRISON, O.B.E., F.C.A., *Calgary*
Partner, Messrs. Harvey, Morrison & Co.

DAVID G. MCCONNELL, *Montreal*
Vice-President, St. Lawrence Sugar Refineries Limited

**Member Executive Committee*

CAPITAL: $60,649,513 • *REST & UNDIVIDED PROFITS: $140,701,218* • *RESOURCES: $3,259,693,572*

The 142nd year of *Canada's First Bank*

While maintaining its traditionally strong liquid position, the Bank of Montreal reported a record increase in total loans at its 142nd Annual General Meeting of Shareholders, held in the Board Room at the Head Office on Monday, December 7th.

On the motion of Mr. J. A. MacAulay, Q.C., Mr. A. C. Jensen was requested to take the chair.

Mr. George W. Bourke moved, seconded by Mr. R. C. Berkinshaw, C.B.E., that Mr. David S. Mills and Mr. Carman A. Jerry be appointed to act as scrutineers, and that Mr. C. W. Harris be Secretary of the Meeting. This was unanimously carried.

The Chairman then called upon Mr. R. D. Mulholland, General Manager, to read the Report of the Directors to the Shareholders, to present the Annual Statement, and to read the Auditors' Report.

Attendance at the Meeting...

Shareholders present were: C. R. M. Allan, W. A. Arbuckle, J. Aime Barnabe, J. L. Barton, L. J. Belnap, R. C. Berkinshaw, C.B.E.; Paul Bienvenu, Henry G. Birks, G. T. Bogert, Max Borkowitz, George W. Bourke, F. R. Brebner, R. B. Brenan, George A. Campbell, Q.C.; Mrs. George A. Campbell, John M. Cape, R. C. Carter, Rodolphe Casgrain, J. E. Chagnon, F. D. Chapman, L. E. Chartier, Armand Chevalier, Alan Chippendale, Ross Clarkson, J. F. Close, J. N. Cole, W. H. Collie, G. Leon Cote, H. Roy Crabtree, N. R. Crump, John H. Davey, J. Dobson, T. W. Eadie, A. J. Ellis, J. R. Ellis, W. J. H. Ellwood, C. W. Fessler, Eric B. Finley, M.C.; H. C. Fortier, B. C. Gardner, M.C.; Samuel Gascon, L. P. Gelinas, G. Blair Gordon, Miss Florence G. Graham, G. H. Greening, W. T. G. Hackett, F. S. Harrison, G. Arnold Hart, G. E. Hervey, H. G. Hilton, The Rt. Hon. C. D. Howe, P.C.; R. G. Ivey, Q.C.; A. C. Jensen, Carman A. Jerry, C. P. Keeley, Peter Kilburn, John Knapp, R. G. G. Lafferty, Robert A. Laidlaw, Louis L. Lang, W. Antonio Lapalme, A. Lavalee, C. W. Leach, A. J. Livinson, John A. MacAulay, Q.C.; H. C. MacDougall, E. J. MacKell, David G. McConnell, W. L. McGannon, D. R. McMaster, Q.C.; Miss M. A. Marien, Charles H. Marin, A. I. Matheson, David S. Mills; The Hon. Hartland deM. Molson, O.B.E.; P. T. Molson, R. Monahan, M.D.; Kenneth J. Morrison, O.B.E., F.C.A.; R. D. Mulholland, O. F. Niebergall, H. B. Norris, S. C. Norsworthy, D.S.O., M.C.; Lt. Col. Gavin L. Ogilvie, Miss Alice O'Heir, W. P. Olney, Col. C. Alex Parker, The Hon. D. D. Patterson, R. Panet-Raymond, J. Pembroke, C.B.E.; D. B. Peters, J. V. R. Porteous, R. E. Powell, R. J. Prettie, H. H. Rath, P. B. Reid, Mrs. Ruth D. Reid, R. H. Robinson, P. J. Rodriguez, Russell C. Ronalds, J. M. Shannette, S. A. Shepherd, H. Greville Smith, C.B.E.; M. Spitzer, R. E. Stavert, R. C. Stevenson, O.B.E., C.A.; William A. Stewart, J. B. Stirling, Col. Garnet M. Strong, W. A. Strover, Robert Thomson, Noah A. Timmins, Jr.; Edgar F. Tolhurst, F. J. Trott, J. L. Walker, C. Gordon Wallace, C.A.; J. V. Walters, G. W. M. Webb, G. T. Westwater and Mrs. H. V. R. Williams.

Directors' Report

The directors take pleasure in submitting to the shareholders the 142nd Annual Report on the result of the Bank's operations for the year ended 31st October, 1959, together with a Statement, as of the same date, of the Assets and Liabilities of the Bank.

Statement of Undivided Profits

Earnings for the year after making transfers to inner reserves, out of which full provision for diminution in the value of investments and loans has been made, and after provision for depreciation of bank premises		$24,833,660
Provision for income taxes		12,642,600
		$12,191,060
Dividends at the rate of $1.60 per share, paid or provided for	$9,168,492	
Provision for extra dividend at the rate of 25¢ per share	1,516,238	10,684,730
Amount carried forward		$ 1,506,330
Balance of undivided profits brought forward from 31st October, 1958		1,565,960
		$ 3,072,290
Transferred to Rest account		2,000,000
Undivided profits 31st October, 1959		$ 1,072,290

(*Signed*) G. ARNOLD HART,
President.

(*Signed*) R. D. MULHOLLAND,
General Manager.

Your directors record, with the deepest regret, the death of their late valued colleagues, Mr. Gordon R. Ball and Mr. C. G. Heward, Q.C., the former a member of the Board since 1951 and President since 1952 and the latter having been first elected a Director in 1943. In September, His Excellency Major-General George P. Vanier, D.S.O., M.C., resigned from the Board on accepting the appointment as Governor General of Canada. During the year, to fill the several vacancies, Mr. H. C. F. Mockridge, Q.C., Mr. J. Pembroke, C.B.E., Mr. Paul Bienvenu, Mr. D. R. McMaster, Q.C., and Mr. Kenneth J. Morrison, O.B.E., F.C.A., were appointed directors.

Within the financial year fifty-two offices were opened in Canada and three were closed.

In accordance with customary practice, all the offices of the Bank, including the Head Office, have been inspected during the year by competent officers.

Your directors deemed it advisable to issue further capital stock of the Bank and a total of 675,000 shares of the par value of $10.00 each was issued. The offer was made to shareholders in April and was fully subscribed for at $32.00 per share.

The directors record their sincere appreciation of the loyal and capable manner in which all members of the staff have discharged their duties during the past year.

(Signed) G. ARNOLD HART,
President.

Bank of Montreal, 7th December, 1959.

General Statement · Comparative Statement

Assets

	1959			1958		
Gold and coin		$ 5,844,174			$ 4,815,191	
Notes of and deposits with Bank of Canada		234,622,800			199,881,608	
Government and bank notes other than Canadian	$ 4,412,861			$ 3,671,542		
Deposits with other banks	57,136,117			62,863,986		
Cheques and other items in transit, net	197,816,881			264,686,094		
Government of Canada direct and guaranteed securities, at amortized value	620,653,575			911,266,324		
Canadian provincial government direct and guaranteed securities, at amortized value	59,937,758			93,637,787		
Other securities, not exceeding market value	205,646,327			225,014,451		
Day-to-day, call and short loans to investment dealers and brokers, secured	192,284,785			160,304,529		
		1,337,888,304			1,721,444,713	
			$1,578,355,278			$1,926,141,512
Other current loans, less provision for estimated loss		$1,352,733,764			$1,084,372,952	
Mortgages and hypothecs insured under the National Housing Act, 1954		227,153,276			171,371,272	
Non-current loans, less provision for estimated loss		453,315			470,123	
			1,580,340,355			1,256,214,347
Bank premises at cost, less amounts written off			47,009,972			40,887,524
Shares of and loans to corporations controlled by the bank			7,465,893			2,324,673
Customers' liability under acceptances, guarantees and letters of credit, as per contra			44,367,590			47,828,101
Other assets			2,154,484			4,392,397
			$3,259,693,572			$3,277,788,554

Position of the Bank on October 31st, 1959, and on October 31st, 1958

Liabilities

		1959		1958	
Deposits by Government of Canada.............		$ 34,029,294		*$ 51,134,745*	
Deposits by Canadian provincial governments...		49,879,234		*36,787,039*	
Deposits by other banks.........................		86,598,776		*65,719,203*	
Personal savings deposits payable after notice, in Canada, in Canadian currency..............		1,611,707,442		*1,572,304,124*	
Other deposits..................................		1,215,993,262	$2,998,208,008	*1,312,404,445*	*$3,038,349,556*
Acceptances, guarantees and letters of credit......................			44,367,590		*47,828,101*
Other liabilities..			15,767,243		*16,044,937*
Capital:					
Capital authorized — 7,500,000 shares of $10 each	$75,000,000				
Capital paid-up — 6,056,909 shares — issued and fully paid	$60,569,090				
Payments received on account of 18,091 shares not yet issued	80,423				
		$60,649,513		*54,000,000**	
Rest Account....................................		139,628,928		*120,000,000*	
Undivided profits................................		1,072,290	201,350,731	*1,565,960*	*175,565,960*
			$3,259,693,572		*$3,277,788,554*

**Representing 5,400,000 shares — issued and fully paid for 1958.*

NOTES:

1. The rest account has been increased by the transfer of $3,000,000 from tax-paid reserves, $2,000,000 from undivided profits, and by $14,628,928 received as premium on capital stock subscriptions.
2. Completion of the present stock issue will result in paid-up capital of $60,750,000 and rest account of $139,850,000.
3. The business of the bank in San Francisco, U.S.A., is carried on by a wholly owned subsidiary corporation whose assets and liabilities are included in the above statement.

G. ARNOLD HART
President

R. D. MULHOLLAND
General Manager

To the Shareholders of the Bank of Montreal

We have examined the above statement and compared it with the books and accounts of the Bank of Montreal at the head office and with returns certified by the branches. We have verified the investments and securities and checked the cash at the head office and certain of the principal branches of the bank at the end of the financial year. We have examined inspection reports covering all the branches operating for the year and at various dates during the year have joined with the inspectors in verifying the cash and securities at several important branches.

We have to report that (a) we have obtained all the information and explanations which we have required, (b) in our opinion the transactions of the bank which have come under our notice have been within the powers of the bank, and (c) in our opinion the above statement presents fairly the financial position of the bank and is as shown by the books of the bank.

Montreal, 23rd November, 1959.

G. S. CURRIE, C.A.,
of the firm of McDonald, Currie & Co.
Wm. H. CAMPBELL, C.A.,
of the firm of Glendinning, Campbell, Jarrett & Dever
Auditors.

Bank of Montreal Trust Company

Statement of Assets and Liabilities as at 31st December, 1958

ASSETS

		U.S. Currency
Due from banks:		
Approved reserve depositaries....	$2,438,196	
Other banks and bankers (foreign)	196,561	
		$2,634,757
Investments:		
United States government securities (quoted market value, $2,307,534)..................	$2,430,272	
Accrued interest................	20,184	
		2,450,456
Other assets................................		36,134
		$5,121,347

NOTE: The charter was acquired in March, 1937, for the purpose of more satisfactorily performing certain functions in New York on behalf of the bank's clients. The capital stock, with the exception of the directors' qualifying shares, is entirely owned by the bank, and is carried in the bank's statement at a value of $1,489,551.

LIABILITIES

		U.S. Currency
Deposits:		
Trust funds..........................	$ 39	
Demand........................	2,888,256	
Time..........................	7,298	
Due to banks, bankers and trust companies..................	1,389	
		$2,896,982
Income taxes................................		32,054
Other liabilities............................		6,899
Capital stock and surplus:		
Capital stock—		
Authorized, issued and fully paid—10,000 shares of $100 each.........................	$1,000,000	
Surplus........................	1,000,000	
Undivided profits...............	185,412	
		2,185,412
		$5,121,347

Auditors' Report to the Shareholders

We have examined the statement of assets and liabilities of Bank of Montreal Trust Company as at 31st December, 1958 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statement of assets and liabilities is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at 31st December, 1958 according to the best of our information and the explanations given to us and as shown by the books of the company.

Montreal, 23rd November, 1959.

G. S. CURRIE, C.A.,
Wm. H. CAMPBELL, C.A.,
Auditors.

Hochelaga Realty and Development Company

Statement of Assets and Liabilities as at 31st October, 1959

ASSETS

	U.S. Currency
Cash..	$ 3,501
Due from tenants...........................	12,597
Prepaid taxes, insurance, etc...................	71,009
Real estate, buildings and equipment (2 Wall Street, New York) less accumulated depreciation....................................	7,177,272
	$7,264,379

NOTE: The company was granted corporate existence by the State of New York on 27th May, 1909. The object of its formation was to enable the bank to hold title to real estate in New York City. The capital stock and debentures are entirely owned by the bank, and are carried in the bank's statement at a value of $5,891,221.

LIABILITIES

		U.S. Currency
Accounts payable............................		$ 43,979
Accrued debenture interest....................		135,000
Income taxes................................		53,500
Twenty-three-year 4½% debenture bonds due 1st May, 1982 Authorized and issued......................		6,000,000
Capital stock and surplus:		
Capital stock—		
Authorized, issued and fully paid—8,500 3% redeemable preferred shares of $100 each	$ 850,000	
100 common shares of $100 each	10,000	
	$ 860,000	
Undivided profits...............	171,900	
		1,031,900
		$7,264,379

Auditors' Report to the Shareholders

We have examined the statement of assets and liabilities of Hochelaga Realty and Development Company as at 31st October, 1959 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statement of assets and liabilities is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at 31st October, 1959 according to the best of our information and the explanations given to us and as shown by the books of the company.

Montreal, 23rd November, 1959.

G. S. CURRIE, C.A.,
Wm. H. CAMPBELL, C.A.,
Auditors.

The St. James Land Company Limited

Statement of Assets and Liabilities as at 31st October, 1959

ASSETS

Cash in bank		$ 7,802
Deferred expenses		13,333
The rights of the company in an emplacement conveyed to Insurance Exchange Corporation Limited (now Insurance Exchange Realties Ltd.), by a 99-year lease (emphyteutic lease) and in the building thereon constructed by Insurance Exchange Corporation Limited as at 23rd January, 1923	$ 200,000	
Expended on the building to date	117,205	
	$ 317,205	
Accumulated depreciation	117,204	
		200,001
Land—at cost		85,120
		$ 306,256

LIABILITIES

Accounts payable		$ 13,333
Provision for income taxes		4,395
Loan from Bank of Montreal		85,120
Capital stock and surplus:		
Capital stock—Authorized, issued and fully paid—200 shares of $100 each	$ 20,000	
Capital surplus	180,001	
	$ 200,001	
Undivided Profits	3,407	
		203,408
		$ 306,256

NOTE: The capital stock is entirely owned by the bank, and is carried in the bank's statement at a nominal value of $1.

Approved on behalf of the Board:
C. W. HARRIS,
R. H. FRY,
Directors.

Auditors' Report to the Shareholders

We have examined the statement of assets and liabilities of The St. James Land Company Limited as at 31st October, 1959 and have obtained all the information and explanations we have required.

In our opinion, the accompanying statement of assets and liabilities is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at 31st October, 1959 according to the best of our information and the explanations given to us and as shown by the books of the company.

G. S. CURRIE, C.A.,
Wm. H. CAMPBELL, C.A.,
Auditors.

Montreal, 23rd November, 1959.

G. ARNOLD HART

Sees Monetary Restrictions as Stemming All-out Inflationary Boom and Laying Foundations for Sound Economic Growth

By putting up with the disciplines of monetary restrictions, Canada has already laid a solid foundation for orderly, stable and enduring economic progress, G. Arnold Hart said in his presidential address at the Annual Meeting. Tight money with all its attendant problems, both for those seeking and those granting credit, had been the price of stemming all-out inflation.

To have further increased Canada's money supply, said Mr. Hart, "could have led to an all-out inflationary boom, instead of the orderly recovery at stable prices we are experiencing. In such event, much more stringent restrictions would have been necessary at a later date or, alternatively, the boom would have had to run its course, culminating . . . in recession and widespread unemployment".

The President said the recovery experienced by the Canadian economy this year had been "strong, healthy and on a broadening base". The gross national product, he noted, may well approach $35 billion in 1959, compared with $32.5 billion last year.

Mr. Hart emphasized that, in his opinion, "a long step has been taken this year in arresting the rise of prices", and added, "I look forward, with you, to that achievement making possible an early return to flexible monetary policy".

The text of the President's address follows:

The President's Address

Mr. Chairman, Ladies and Gentlemen:

Since our last Annual Meeting, we suffered a severe loss in the untimely death of Mr. Gordon R. Ball. Appointed General Manager in 1947 and elected Vice-President in 1951, Mr. Ball brought to this task an unusual knowledge of finance and international banking derived from long service in our New York Agency. Mr. Ball was elected President in 1952 and for nearly seven years served as Chief Executive Officer of the Bank. A man of great energy, he never spared himself in his devotion to the interests of the Bank and, as you know, he participated actively in an extraordinary range of community and charitable interests. Having worked closely with Mr. Ball for a number of years, I refer to his death with a deep sense of personal loss, which I know is shared by all those who had the privilege of knowing him.

Following Mr. Ball's death, your Directors elected Mr. A. C. Jensen Chairman of the Board and Chairman of the Executive Committee and I was honoured by election to the Presidency of the Bank and was appointed Chief Executive Officer. At the same time, Mr. R. D. Mulholland, Deputy General Manager, was appointed General Manager. His wide banking experience, both in Canada and abroad, his practical knowledge and his administrative ability eminently fit Mr. Mulholland for this important post.

I record with deep regret the death of Mr. C. G. Heward, Q.C., who was first elected to the Board in 1943. A distinguished member of the Bar of this Province, Mr. Heward also served the Bank in a legal capacity. He was held in high regard by all who knew him and we mourn his loss.

With a mixture of pride and regret, I also record that his appointment by Her Majesty as Governor-General of Canada necessitated the resignation of Major-General George P. Vanier, D.S.O., M.C., from our Board in September last. We shall miss his wise counsel. Canada is indeed fortunate to have a man of such ability and dedication as General Vanier to serve the country's interests.

It is with regret I must also advise you that, under a provision of The Bank Act, which takes effect for the first time this year, four of our directors, having reached the age limit set by the Act, are not eligible for re-election. I refer to Mr. Louis L. Lang, Mr. L. J. Belnap, Mr. Robert J. Dinning and Mr. B. C. Gardner. Mr. Lang was our senior Vice-President and was first appointed to the Board in 1936. Mr. Belnap was the next most senior director, having been elected in 1937, and Mr.

Dinning was elected to the Board in 1953. Each in his respective sphere of influence made a valued contribution to the welfare of the Bank, but perhaps I may be permitted to say a special word about Mr. Gardner, whose services to the Bank have been outstanding and have extended over a period of fifty years. Mr. Gardner has served in every capacity from a junior clerk to Chairman of the Board and he will be greatly missed at our weekly meetings. On behalf of the Board, I should like to express to Mr. Lang, Mr. Belnap, Mr. Dinning and Mr. Gardner our appreciation of their services and extend to them our good wishes for the future.

To fill the several vacancies throughout the year, the Board appointed Mr. H. C. F. Mockridge, Q.C., of the firm of Messrs. Osler, Hoskin & Harcourt, Toronto; Mr. Jack Pembroke, C.B.E., President, The Royal Trust Company, Montreal; Mr. Paul Bienvenu, President, Catelli Food Products Ltd., Montreal; Mr. D. R. McMaster, Q.C., of the firm of Messrs. Holden, Hutchison, Cliff, McMaster, Meighen & Minnion, Montreal, and Mr. Kenneth J. Morrison, O.B.E., F.C.A., the senior partner of the firm of Messrs. Harvey, Morrison & Co., Calgary. I am sure we shall profit from the knowledge and assistance of these gentlemen.

The name of Mr. David G. McConnell will be submitted to you today for election as a director. Mr. McConnell is Vice-President of St. Lawrence Sugar Refineries Limited and we shall welcome him to our deliberations.

Healthy Recovery

Monetary and financial conditions in Canada have been very much in the forefront of public discussion and concern in the past year. I shall, of course, address myself mainly to the problems of banking under these difficult conditions, but let me first describe briefly the business environment in which the banks have operated.

The economic recovery, which got under way slowly and somewhat haltingly in 1958, has steadily gathered strength this year, although the prolonged steel strike in the United States has had some temporary deterrent effects in Canada in recent months. The commonly accepted measure of our over-all business activity — the gross national product — has been rising consistently and may well approach $35 billion in 1959 as a whole, compared with $32½ billion in 1958.

A rise in business activity of the order of 7% in one year is above average, but to a significant extent it has represented simply a reversal of the former recessionary

trends and a re-emergence of deferred demands. Canadian business has been rebuilding its inventories at a moderate rate instead of reducing them. The Canadian consumer has been spending more on durable goods after a period of nearly two years in which such outlays were virtually stable. Exports have expanded very little, but imports have been substantially higher and our trade deficit is over twice as large as last year. Only in recent months have capital expenditures begun to contribute to the general upward trend.

An important aspect of the recovery, both last year and this, but one that is perhaps inadequately appreciated, has been the striking improvement in efficiency achieved by many firms in many lines. Thus, while employment has expanded and unemployment has dwindled, the rise in employment has been far outstripped by the rise in production. Moreover, higher rates of pay, together with larger numbers employed, have carried total payrolls to new record figures. Yet average consumer prices were slightly lower in July 1959 than in October 1958 and the rise in recent months has been largely a reflection of a regular seasonal upturn in food prices; the general level of wholesale prices has been virtually stable this year. Gains in productivity thus appear to have played an important part in helping to preserve the purchasing power of money.

In short, the recovery experienced by the Canadian economy this year has been strong, healthy and on a broadening base. It has been a real recovery, little inflated by price increases, and shortages of goods, manpower and productive capacity are neither present nor in prospect. But it has not, in any sense of the word, been a boom.

Monetary Expansion in 1958

Let me now attempt to describe concisely, and I hope objectively, the current facts of life in the Canadian banking business. The story must begin with certain events in 1958 which in large measure gave rise to the tight money situation in 1959. Major turning points in monetary policy happen to have coincided very closely with the commencement of this Bank's past two financial years and it is thus both appropriate and convenient to refer to them, rather than to calendar years.

In twelve months to the end of October 1958, the central bank permitted a substantial increase of the order of $1,600 million, or 14%, in the Canadian money supply. I think it is generally accepted that this was a far greater degree of monetary

expansion than could be justified as a stimulus to business recovery. Moreover, and this point needs emphasis, the monetary expansion in that period did not spring from any increase in the demand for bank loans, for there was none. On the contrary, it resulted almost entirely from the chartered banks being enabled to take up an increase of nearly $1,300 million in the direct and guaranteed funded debt of the federal government at a time when the investing public outside the banks showed no disposition, indeed on occasion a negative disposition, to acquire, by purchase of bonds, the additions to the federal debt.

In recording these background facts, I am not in any way criticizing the purpose for which the federal government deficit was incurred and the additional debt created. I think it a fair statement that it was done with the deliberate purpose of combating recessionary influences that were then very apparent. Nor in itself was the mere fact of the increase in debt any cause whatever for alarm; at the end of 1958 the debt was in dollar amount no greater than the corresponding figure ten years earlier and, in relation to the country's capacity to carry the burden, it was a good deal less. But the fact of the matter was that the mounting money supply, along with a growing deficit and declining bond prices, interacted to create a situation of uneasiness on the part of investors and also gave rise to a widespread fear of inflation, even though inflation itself was not at the time very apparent.

Banking in a Tight Money Framework

Since October 1958, official monetary policy has taken another sharp turn. The central bank has operated to keep the money supply on a virtual plateau. In the same period, however, the business recovery I have described has brought with it demands for bank credit, from borrowers large and small, in all lines of endeavour and in all parts of the country. The banks have responded to this need by increasing their Canadian loans of all kinds, including mortgages under the National Housing Act, by some $1,300 million, or 22%, in the twelve months ended October 31st, 1959. The Bank of Montreal's loans in Canada have risen in this period by more than $300 million, or 25%.

But the consequences of expanding loans were inevitable. With the money supply being held level, the chartered banks could let their loans rise only if they were willing and able to dispose of other assets in an approximately equivalent

amount. In practical terms, this has meant for all banks the sale of large blocks of government securities, for most of the year in an unreceptive market, at progressively lower prices and hence at a rising rate of capital loss. Since October 1958 the banks have reduced their holdings of Government of Canada bonds by over a billion dollars — nearly as much as they bought in the preceding twelve months. I need not labour the point that, apart entirely from the loss factor, there comes a time when the dictates of ordinary prudent banking policy will not permit any further disinvestment in government securities. It clearly follows that when this point is reached a well run bank has no alternative but to make an effort to check further significant additions to its loan portfolio. And for the banking system generally, that point was apparently reached in the late summer of the present year.

Problems for Borrowers

Let me emphasize that, in our case at least, the cost of selling securities has not been the paramount factor when considering loan applications. We have also been governed by a lively appreciation of the difficulties that the situation has posed for our borrowing customers, and I can honestly say that considerations of profit and loss have been, as far as possible, secondary to a desire to meet the essential normal requirements of borrowers both large and small.

I should add, however, I know of no magic wand that will enable us, in a time of monetary scarcity, to meet all the requests made for loan accommodation, however desirable and credit-worthy those requests may be. Nor can there be any rigid formula or tidy rule of thumb to tell us whether this or that loan should or should not be made. Extending credit is a very responsible task requiring many years of experience and close co-operation with the customer in a relationship of mutual confidence. What we endeavour to do at all times is to allocate our lending resources as equitably and as intelligently as possible, having due regard to all the circumstances involved. It is the function of a bank to encourage initiative through its credit policy while, at the same time, endeavouring to avoid any misdirection of capital.

In a time of monetary scarcity the situation becomes that much more difficult, not only for banks but also for those responsible for national policies. No banker likes to say "no" to a credit-worthy applicant, but with broad limiting forces at work over which the banks have no control, such an answer may on occasion be the only

answer that can be given. Nor is it very reasonable to expect a customer, who under more normal circumstances would have no difficulty whatever in obtaining his credit requirements, to be very happy when told that existing monetary pressure makes it necessary to put his request aside for a time.

A National Responsibility

Under conditions such as these it is perhaps natural to look around for scapegoats and to seek to place the blame for the inevitable and inexorable evolution of economic forces, on "the Government", "the Bank of Canada", "the banks", "the big interests", or "the action of money markets in the United States" — I think that pretty well runs through the list. It is my firm conviction that the situation is surely one that calls, not for recrimination, but for intelligent understanding in the light of the interest that all of us in this country have in our nation's economic welfare.

It is, of course, true that our central bank carries both the power and the responsibility to control the nation's money supply. But it is equally certain, in my opinion, that under prevailing business conditions a substantial further monetary expansion, on top of last year's, could have led to an all-out inflationary boom, instead of the orderly recovery at stable prices we are experiencing. In such event, much more stringent restrictions would have been necessary at a later date or, alternatively, the boom would have had to run its course, culminating, as such booms have a habit of doing, in recession and widespread unemployment. I suggest further that it would be inconsistent, to say the least, for responsible members of the Canadian community who have been fully aware of the dangers of inflation, and who have for some years been proclaiming that "something should be done about it", now to take violent exception to the inconveniences, the difficulties and the costs of a determined effort to prevent it.

The Rewards of Stability

Actually, and I feel this is insufficiently realized, the monetary stability and the price stability we have experienced this year have already paid some very solid dividends. For one thing, inflationary psychology has abated. For another, within the

past twelve months the Canadian public outside the banks have acquired over $2 billion of government debt at a time when the increase in the debt has been only about $600 million. This is the reverse of the situation last year when the increase in the debt was perforce being taken up by the banks and thus adding to the money supply. There is a further constructive development without which monetary efforts, as such, would have proved unavailing, namely, the fact that this year the federal government's cash budget appears to be moving towards, instead of away from, a position of balance.

And let me add to this, with the strongest emphasis, that another bout of inflation is something that this country, as a trading nation, just cannot afford. Canada is doing business today in an increasingly competitive world. I was immensely impressed, during the course of an extended business trip through the British Isles this autumn, with the vigorous activity and expansion that are apparent on every hand, and with the resolute, and successful, measures to achieve this growth without inflation. The United Kingdom and most countries of Europe have faced up to, and dealt with, their monetary problems, and have taken the drastic, unpopular, but necessary steps to achieve stability of costs and prices. Their several moves towards convertibility of their currencies and reduction or removal of import restrictions have placed the onus to compete in their markets squarely upon the seller. These accomplishments of our overseas friends present an example and a challenge, not only to Canada, but if I may say so, to the United States as well. I sincerely believe that if we on this continent do not similarly resist the temptation to take the easy inflationary path, there is a real danger of the North American economy becoming a "high-cost plateau" and living in expensive, but not splendid, isolation from the expanding flows of world trade.

The Problem of Timing

The broad problem of monetary management that continually faces our national authorities poses, of course, very delicate and crucial questions of timing. I have already affirmed my belief that another substantial monetary expansion this year would have created a dangerous inflationary threat. But I have also pointed out that the increase in bank loans this year has had to be accomplished entirely by a reduction of government bond holdings roughly equal, be it noted, to the bonds the banks bought the year before, when a government deficit was being financed by an increase in the money supply.

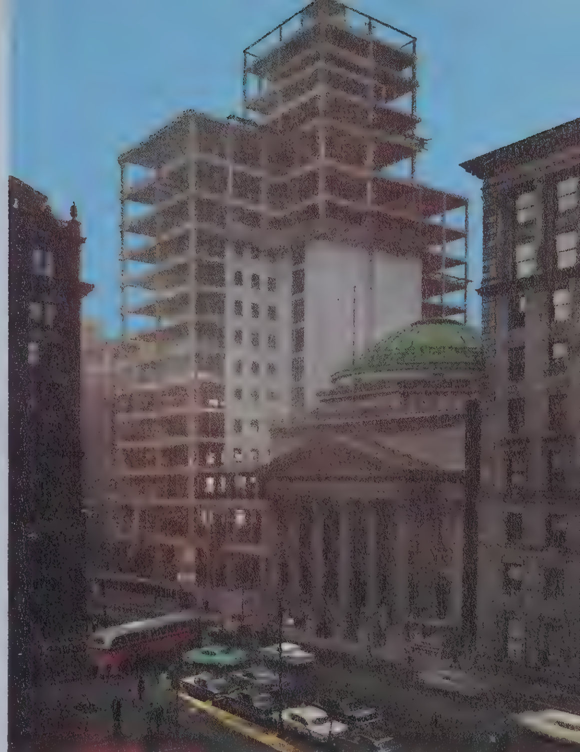
I therefore raise the question of how long a national money supply that happened to be determined by a government deficit should be expected to suffice for the needs of a subsequent business recovery. As I noted at the outset, there is still unused manpower and productive capacity in the Canadian economy. At some stage in the future, the present stringent policy of maintaining an inflexible money supply will surely be capable of modification without rekindling inflationary fuel. And now that the need for massive governmental outlays to combat recession has passed, the most useful contribution that government, as such, can make in hastening the return of more flexible monetary conditions would be to continue moving as rapidly as possible towards a balanced budget on a cash basis by reducing expenditures.

In brief, I suggest that we shall ultimately look back on the "tight money period" of 1959 as one in which, by taking thought, and by putting up with the disciplines of monetary restriction, we in Canada laid a solid foundation for orderly, stable and enduring economic progress, rather than the heady delights, and subsequent headaches, of inflation, boom and recession.

No one will be happier than myself and my fellow officers when this Bank can revert to its normal role of active encouragement of desirable lending business. In the meantime, we have to allocate lending resources as carefully and as intelligently as we can, always bearing in mind our responsibilities in the national interest. In conclusion, I would reiterate that, in my opinion, a long step has been taken this year in arresting the rise of prices and I look forward, with you, to that achievement making possible an early return to flexible monetary policy. You may be confident that it will be our continuing concern to maintain the traditions of this institution for a quality of banking procedure and practice that will provide a sound basis for the Bank of Montreal's further expansion.

Taking Shape...

A PROGRESS REPORT ON THE NEW HOME FOR CANADA'S OLDEST BANK



Work is progressing rapidly on the Bank's new building, which, when completed, will be one of the most modern bank buildings in the world. It stands on the same site as the Bank's first head office building erected in 1818.

The sky-line of Montreal's financial district has undergone a striking change during the past 12 months as the superstructure of the new addition to the Bank's Head Office has taken shape.

Since the completion of the foundation last February, no less than 2,800 tons of steel have gone into the erection of the finished superstructure which rises 250 feet above St. James Street and 280 feet above Craig Street. No sooner had the steelwork begun to reach upwards when the installation of concrete floors and masonry began, rising floor-by-floor for 14 storeys and beyond to the 50-foot tower at the top of the building.

While no opening day has yet been set, the building is proceeding on schedule for completion in late 1960 or early 1961.

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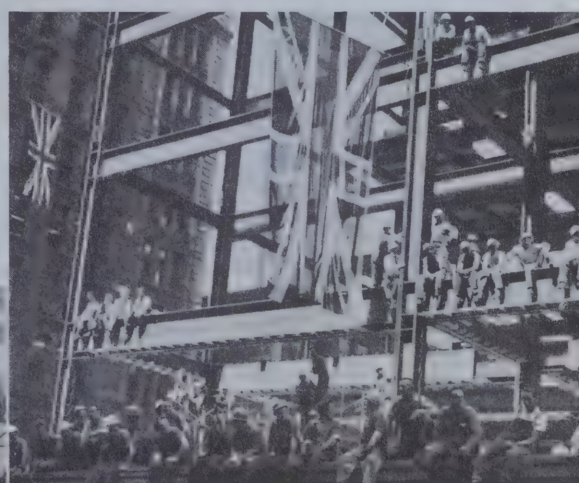


Steelworkers on the building had grandstand seats to see the Queen and Prince Philip drive along St. James Street during their visit to Montreal early last summer to open the St. Lawrence Seaway.

Passersby were recently treated to a rare spectacle when the two largest vault doors ever made in the United Kingdom were delivered to the Bank's new building. Weighing 33 tons each, the doors will be guarded by four combination locks and a time lock.

CANADA'S FIRST BANK IN THE UNITED STATES

EMBARKS UPON ITS SECOND CENTURY AT...

1[illegible]

1[illegible]

Two Wall Street

Monday, September 14th, was a day of double significance for the B of M in New York. On that day the Bank's New York agency marked its 100th anniversary by opening for business in its new headquarters at Two Wall Street.

The 21-storey building, the largest owned by a foreign bank in the United States metropolis, stands on a prime location at the corner of Wall Street and Broadway, with its polished granite facade facing historic Trinity Church.

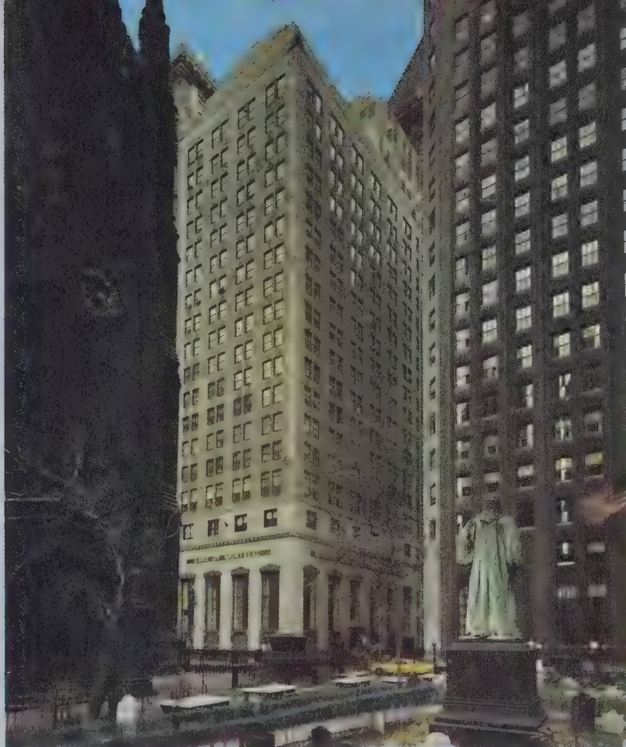
As the first Canadian bank to establish a permanent office in the United States, the Bank of Montreal has played no small part in the development of trade between Canada and her neighbour to the south. But its role in this expansion of mutual trade goes back beyond the day in 1859, when the B of M established its first office in a single room at 23 William Street.

In fact, within a year of the founding of the Bank in Canada, on November 3rd, 1817, the B of M appointed Messrs. Prime, Ward and Sands as its agents, thus inaugurating financial facilities that set a pattern of trade development between the two countries which has flourished to the point where each is the other's best customer.

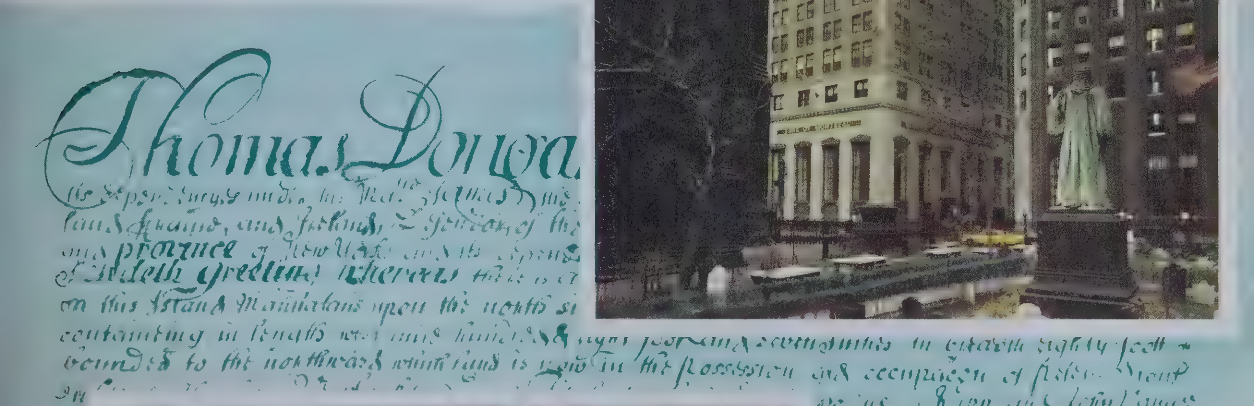
And this impressive building, at the cross-road of world finance, stands not only as a monument to past achievements, but also as an expression of the B of M's confidence in the part it will play in the continued expansion of U.S.-Canadian trade to the benefit of both nations.

The impressive main banking room at Two Wall Street. The B of M occupies three floors above this, as well as four floors below providing room for vaults and storage. The remaining 17 floors are rented.

Two Wall Street, in the heart of New York's financial district, is a classic address. The 21-storey structure, acquired from the First National City Bank of New York, is the largest building owned by a Canadian bank in the United States.



By this deed some 300 years ago Thomas Dongan, "Lieut. Governor and vice-Admirall of New York" under King James II, transferred to one John Knight the land upon which Two Wall Street now stands.


Thomas Dongan
Province of New York
Greeting whereas
on this Island Manhattans upon the north si
the Wall street
Thomas Dongan
John Knight

Wall Street looking toward Broadway and historic Trinity Church. The Bank's building — facing the church — is the second structure beyond the classic facade of the U.S. Treasury Building in the right foreground.

R. D. MULHOLLAND

Reports Record Increase in Loans, Now Exceeding $1¾ Billion, and Gratifying Response to New Stock Issue

In his first report to shareholders as General Manager, R. D. Mulholland reported the greatest loan increase in the Bank's history, with total advances standing at $1,773,000,000.

Net profits for the year were increased 17.7 per cent to $12,191,060, after setting aside $12,642,600 for income taxes. Of this record profit $10,684,730 had been set aside for dividends to shareholders on the basis of $1.85 a share, leaving $1,506,330 to be added to the balance of undivided profits from the previous year bringing the total to $3,072,290. From this a transfer of $2,000,000 was made to Rest Account, leaving a balance of $1,072,290 in Undivided Profits.

Following an offering of 675,000 new shares of capital stock earlier this year — with 99.2 per cent of the rights being exercised — total capital funds stood at a record $200,278,441, Mr. Mulholland said.

Discussing the unprecedented demand for credit during the past fiscal year, Mr. Mulholland said that, while the Bank could not meet all the demands for loans, "we have been particularly mindful of the needs of the small businessman and the small personal borrower. Farm Improvement Loans made by the Bank during the year were the largest, in aggregate amount, of any year since the inception of such loans".

The text of the General Manager's address follows:

General Manager's Address

Mr. Chairman, Ladies and Gentlemen,

I have the honour to present to you the 142nd Annual Statement of the Bank.

The President has already described the restrictive monetary environment in which the year's operations have had to be conducted. In the light of these conditions, which have been applicable to the banking system generally, our year's results can, I think, be regarded as very satisfactory.

Before making any further comment, I would like to thank the President for his gracious remarks regarding my appointment as General Manager. I am very conscious of the responsibilities attaching to this position and I shall do my best to exercise them in a manner befitting the great tradition established by my predecessors.

Earnings

You will observe from our Profit and Loss Statement that, after transfers to inner reserves and after providing for depreciation of premises and equipment and setting aside $12,642,600 for income taxes, our net profits amounted to $12,191,060. This compares with net profits of $10,356,690 in the previous year. Out of our net profits an amount of $10,684,730, equivalent to $1.85 per share, has been provided for regular and extra dividends, as compared with $1.65 for the preceding year.

It will be noted that the amount provided for dividends is $1,780,166 larger than in 1958. This reflects not only the increased payments per share to which I have referred but also the increase in our capital stock outstanding which took place during the year.

In April last, it was decided by your Directors that a further enlargement of the Bank's capital structure was desirable. In consequence, an offer of 675,000 shares was made to our shareholders on the basis of one new share, at $32 per share, for each eight shares held. This offering met with a highly gratifying response, with 99.2% of the rights being exercised. The very small number of shares not taken up were sold to a group of investment dealers. I am happy to say that during the year there has been a net increase of over 2,700 in the number of our shareholders, which

now stands at over 21,000, the largest number in the history of the Bank. We welcome this broader participation in the ownership of the Bank.

As advised to you in our President's letter of April 7th last, a transfer of $3,000,000 was made in March from tax-paid reserves to Rest Account.

After providing for dividends, an amount of $1,506,330 was carried forward, bringing the total of Undivided Profits to $3,072,290. Out of this, a further transfer of $2,000,000 to Rest Account was made, leaving a balance of $1,072,290 in Undivided Profits.

Rest Account now stands at $139,628,928 and total capital funds aggregate $200,278,441.

Revenues from loans reached a new record, reflecting the very large increase in loans and the higher interest rates that have prevailed. There was also an appreciable increase in revenue from investments due to higher yields on our average holdings, the improvement in the latter respect being largely concentrated in the Treasury Bill portion of our portfolio. A substantial part of the overall benefit was offset by higher expenses in respect of interest paid and by the cost of reducing our investment portfolio to provide funds for loans.

Part of the reduction represented decisions not to re-invest the proceeds of maturing bonds and the balance came about by the sale of securities. This latter involved the acceptance of losses on such sales. Other operating expenses and the charge for depreciation also increased.

General Statement

Total assets of the Bank at the end of the fiscal year stood at $3,260,000,000, a comparatively small decline of $18,000,000. This reduction, in a period of expanding business, reflects the consequences of a much broader monetary pattern. The policy of the national monetary authorities has been directed, quite wisely, at stabilization of the country's aggregate money supply. An inevitable result of such a policy is the virtual stabilization of both the assets and liabilities of the chartered banking system in Canada. Within our balance-sheet total there has been a very large expansion of our loans, occasioned by economic recovery and other conditions.

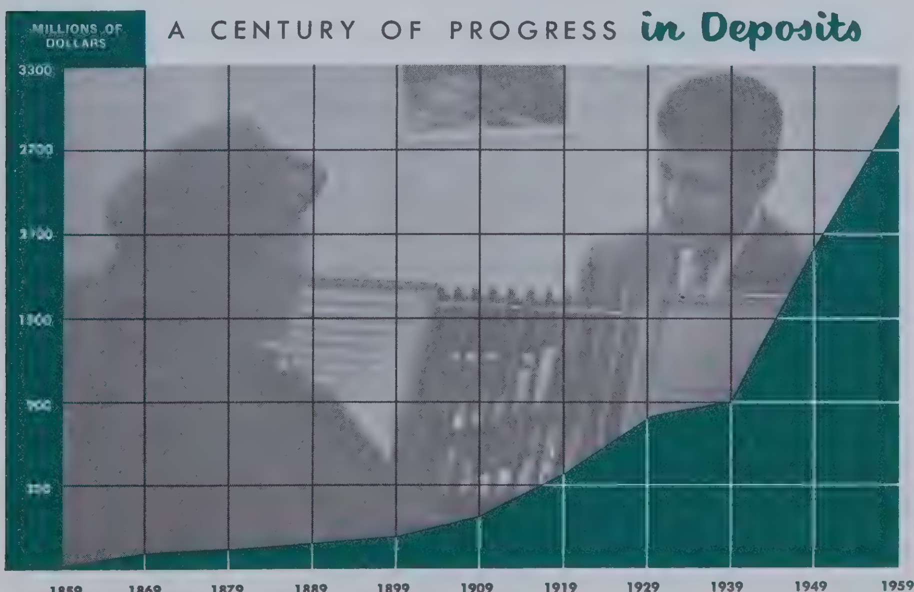
The broad changes within our balance sheet are, in some respects, comparable to those brought about by credit restrictions in 1956 and reported to you at the Annual Meeting in that year.

An additional technical factor in the reduction of assets has been the adoption of a faster method of clearing cheques during the year. This is largely responsible for a drop of $67,000,000 in Cheques and Other Items in Transit.

Our traditionally strong liquid position has been maintained. Holdings of Bank of Canada cash, day-to-day loans in the short-term money market and Government of Canada Treasury Bills were, on the average in each month during our financial year, in excess of 15% of deposit liabilities in Canadian dollars.

Deposits

Our total deposits amounted to $2,998,000,000, a decrease of $40,000,000 for the year. The accelerated clearing procedure just mentioned also had the effect of reducing deposits. Government of Canada deposits have declined steadily during most of the year and are now $17,000,000 lower than last year. The aggregate of all other deposits, excluding personal savings, declined by $62,000,000 but our personal



savings deposits increased by $39,000,000, accompanied by a rise of 132,000 in the number of personal savings accounts.

It is of interest to note in Canada the sound and steady determination to save reflected in our savings deposit figures. In exhibiting this determination, the depositor serves both himself and the economy on which his own welfare depends.

There was some decline in business deposits. There appears to be a tendency for large firms to employ surplus funds to the maximum extent in the short-term commercial paper market at rates which a bank finds it difficult to meet. It may not be amiss to point out that the many essential bank services to business which the money market cannot provide have in the past been made possible by the maintenance of adequate bank balances in business accounts.

You may be aware that in some other countries the maintenance of adequate compensating balances is often a condition of the operation of an account, although this has not become a part of Canadian banking practice.

Loans

Total loans at October 31st stood at $1,773,000,000, an increase of $356,000,000. Loans to finance the requirements of business, agriculture, individuals and public bodies rose by $300,000,000, which is a record increase for any one year in the Bank's history. In addition, mortgage loans under the National Housing Act were up $56,000,000 as against an increase of $41,000,000 in the preceding year. Our mortgage loans now stand at $227,000,000.

The prime rate for loans was increased in March and April this year, in each case by ¼ of 1%, and this rate now stands at 5¾%, which brings it back to the level at which it stood between August and December 1957.

In the adjustments we have had to make this year we have at all times been motivated by our firm belief that the primary role of a bank is to serve, within the framework of sound banking practice, the current financial needs of the business community, subject to the overall limitations of a restrictive monetary policy which has not increased the total supply of money. Such a policy of the monetary authorities means inevitably, however, that not all requests for loan accommodation can be

part due to allowing maturities to run off without renewal, very substantial sales of securities were effected to provide loanable funds and a loss was accepted in this connection. Nevertheless, the average term to maturity of our investments stood at 3.35 years at the end of the year.

Bank Premises

Bank Premises account as at October 31st, 1959 amounted to $47,010,000 after depreciation, as compared with $40,888,000 at the end of the previous fiscal year.

The construction of our new Head Office building is making good progress and the superstructure should be completely closed in early in the new year.

On September 14th last, our New York Agency and Bank of Montreal Trust Company moved to much larger premises at 2 Wall Street, at the corner of Broadway, in order to accommodate their rapidly expanding business. As was mentioned at the Annual Meeting last year, the opening date coincides with the 100th anniversary of the establishment of Bank of Montreal in New York City. In Montreal, arrangements have been made to open a major branch in "CIL House" now under construction on the southeast corner of Dorchester and University Streets.

Our policy of providing new or improved branch facilities for the convenience of our customers has continued during the past year. Major projects under way include new premises at Peterborough, Ont., Kelowna, B.C., St. John's, Nfld., and Union Street, Saint John, N.B. and the enlargement and modernization of our Cornwall, Ont. and Leduc, Alta. branches. Many smaller projects are in the course of completion throughout the country.

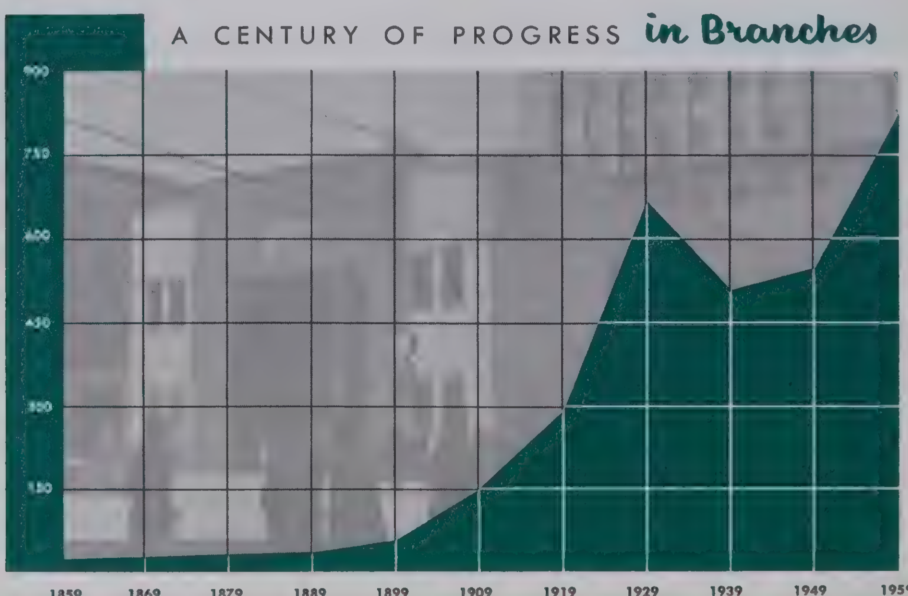
During the year ended October 31st, 1959, we opened 33 branches and 19 sub-agencies and closed 3 sub-agencies, resulting in a net increase of 49 new offices compared with 36 last year. At the end of our financial year we had 810 offices in operation in Canada and elsewhere.

International Business

The volume of both export and import trade continues to grow, with increases in the latter predominating. It is a cause for concern that Canada's trade deficit has

again increased. On the other hand, capital movements into Canada have offset the trade deficit and the Canadian dollar has been strong. In point of fact, during 1959, the outstanding feature of foreign exchange markets in Canada has been the substantial discount at which the U.S. dollar has stood in relation to the Canadian dollar throughout most of the year. From a high point in February of $1\frac{13}{16}\%$ discount, the U.S. dollar declined in an erratic pattern to reach $5\frac{13}{32}\%$ discount by mid-October, the lowest point since August 1957.

Our new affiliate, Bank of London & Montreal Limited, jointly owned by Bank of Montreal and Bank of London & South America Limited, has now been in operation for over a year. Results to date have been satisfactory and encouraging. You will recall that at the commencement of business Bank of London & Montreal Limited was represented at Nassau in the Bahamas, in Colombia, Ecuador, El Salvador, Guatemala, Nicaragua and Venezuela. During the year the field of operation was expanded with the opening of new branches in Kingston, Jamaica, and in Tegucigalpa, Honduras, bringing the total of branches and agencies in Central America and the West Indies to 20. It is expected that a new branch in Port of Spain, Trinidad, will be ready for opening around March or April 1960.



The New Bank shows many faces

An artist's conception of BOLAM HOUSE, Nassau, Bahamas, head office of the new bank which is scheduled for completion early in 1960.

ARCHITECT, MICHAEL ROSENAUR, F.R.I.B.A., A.I.A.

Branches of the Bank of London & Montreal Limited range in design from the stately classic to the ultra-modern.

Medellin,
COLOMBIA

Guatemala City
GUATEMALA

This architect's sketch shows the new Port-of-Spain Office, in Trinidad, as it will appear when completed in 1960.

Managua,
NICARAGUA

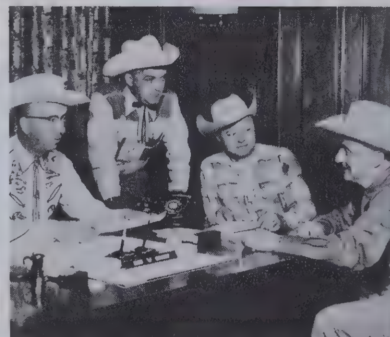
Quito,
ECUADOR

San Salvador,
EL SALVADOR

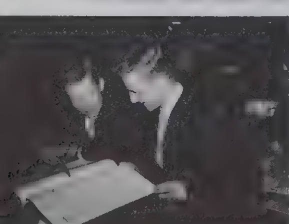
The Staff

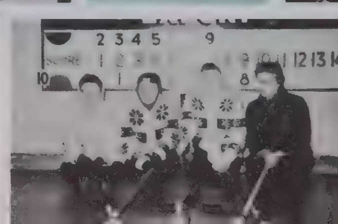
at Work and at Play . . .

A healthy variety of activities both on and off the job adds plenty of spice to the lives of B of M people.



"MY BANK"
TO 2 MILLION CANADIANS
B of M





Other Business of the Meeting

Adoption of Directors' Report
Appointment of Auditors
Appointment of Proxies for Controlled Companies
Amendment to Shareholders' By-Law No. IV
Votes of Thanks—Election of Directors and Officers

Following the addresses, the Chairman moved, seconded by Mr. R. G. Ivey, Q.C., that the Report of the Directors, as read, be adopted and that the Report, which includes the Statement of Undivided Profits, together with the Statement of Assets and Liabilities, be printed and distributed among the Shareholders. The motion was carried unanimously.

Mr. R. E. Stavert, moved, seconded by Mr. J. V. R. Porteous, that Messrs. George S. Currie, C.A., and C. Gordon Wallace, C.A., be appointed auditors of the Bank for the ensuing year, and that a ballot for the auditors be taken at the same time as the ballot for directors is taken.

The motion was carried.

Mr. D. R. McMaster, Q.C., moved, seconded by Mr. R. B. Brenan, the resolutions appointing the necessary proxies for the Bank at meetings of controlled companies. These were unanimously adopted.

The Chairman then said that it was proposed to put before the meeting the names of 31 gentlemen for election as directors and, since Shareholders' By-law number four provides that the number of directors be 32, an amendment to this By-law will be necessary.

Mr. G. Blair Gordon moved, seconded by Mr. H. Roy Crabtree, the following amendment to Shareholders' By-law number four:

"Resolved that clause (b) of By-law number four of the By-laws enacted by the shareholders be amended by striking therefrom the figure 32 and substituting the figure 31."

Mr. Gordon further moved that, pursuant to the Bank Act, a ballot be taken forthwith.

The ballot was then taken on the amendment to Shareholders' By-law number four and the scrutineers reported the amendment was adopted.

Mr. Edgar F. Tolhurst moved, seconded by Mr. R. H. Robinson, "That the thanks of the Meeting are hereby tendered to the President and directors for their attention to the interests of the Bank."

Speaking to the motion, Mr. Tolhurst said:

"It has now become an established tradition for the shareholders of the Bank of Montreal to adopt a resolution at their Annual Meeting in expression of their thanks for the attention which the President and

Directors have devoted to the interests of the Bank in the year just past.

"A standard text has come to be used for this purpose for the eminently fitting reason that the excellence of the Bank's administration in each successive year has always been maintained at the same high standard.

"All who are interested in the welfare and progress of the Bank of Montreal must take pride in its steady growth and in the constant efficiency of its multiple and widespread operations. It has consistently justified its reputation for banking services that are universally recognized as sound, courteous and up-to-date.

"That the enterprise, in which they have invested, continues to demonstrate such marked vigor and vitality and continues to make so reliable and so useful a contribution to the general economic welfare, must, in particular, afford the greatest satisfaction to the Bank's shareholders. In the realization that these achievements, in all departments of the Bank's operations, emanate from the direction given by the President and his fellow Members of the Board, the shareholders have been pleased, each year, to concur in the resolution which has now become historic.

"As shown by the Reports presented to this meeting, the recognition of the Bank's shareholders was never more merited by its President and Directors, than with respect to the year just closed. I consider it a privilege to move that this resolution be adopted."

Mr. Robinson said:

"It is an honour and a pleasure for me to second the motion presented so ably by Mr. Tolhurst, and I would like to underline the thanks and sentiments expressed by him.

"It is no exaggeration to say that the duties and responsibilities of the President and the Directors are taking on increased importance and, incidentally, becoming more onerous each year, with the growth of Canada and of the Bank.

"May I add that it is my belief that the Bank of Montreal is on the threshold of substantial further growth."

The motion was carried with applause.

Mr. G. Arnold Hart, responding, said:

"Judging by the warmth of the reception accorded to this motion, Mr. Chairman, you will, no doubt, consider it unnecessary to place it before the Meeting in formal fashion. On behalf of my fellow directors and myself I would like to thank Mr. Tolhurst and Mr. Robinson for their generous references to our services and I also wish to thank you, the shareholders, for the manner in which you have received the motion. As you know, our Board consists of men outstanding in the business life of this country and I assure you that their attention to and interest in the affairs of the Bank is very real. If I may be permitted, I would like to inject a personal note and acknowledge gratefully the strong and loyal support I have received from the directors during the past year. On behalf of the whole Board I ask you to accept our very best thanks."

Mr. J. Pembroke, C.B.E., moved, seconded by Mr. T. W. Eadie:

"That the thanks of the Meeting are hereby tendered to the General Manager, the Assistant General Managers and other members of the staff, for their services during the past year."

Speaking to the motion, Mr. Pembroke said:

"It has been my good fortune during the past year, in the ordinary course of business, to come into close contact with most of the senior officers of the Bank and with many of the branch managers and their staffs. I am able, therefore, to present this motion, not just as a traditional item on the Agenda, but with the absolute conviction, based on close personal observation, that the thanks of the shareholders to the staff could never have been more thoroughly merited.

"Mr. Chairman, every year in the life of this vast complex that we call MY BANK has been marked by its own problems — 1959, I venture to suggest, will long be remembered by shareholders and staff alike for the special difficulties associated with what I still obstinately persist in calling 'tight money'. It was necessary for the Bank to establish policies that were inevitably fraught with unpleasant consequences for many of the Bank's fine customers and hence threatening to the goodwill built up so carefully over so many years.

"The splendid results formally presented to us today bear witness to the outstanding manner in which the material problems were coped with, but of even greater importance and future value to the Bank — and hence to the shareholders — are the tremendous efforts that were made to retain the confidence and the understanding goodwill of our customers.

"To our General Manager, Mr. Mulholland, on whose fortunately broad shoulders rested the responsibility for the working out of the Bank's policies, and to his supervising senior officers, who so ably seconded his efforts, we shareholders owe a great debt of gratitude for their leadership.

"To our staff, who personify the Bank in the eyes of many of our customers, and to whom fell the responsibility of explaining and implementing these policies on the local firing lines, I would express, on behalf of the shareholders, our very real and deep appreciation for a difficult task carried out with outstanding efficiency and traditional courtesy. We have seen, during the past year, a splendid example of that staff team work that we believe to be a special characteristic of this Bank, and an assurance of its future growth.

"I am confident, Mr. Chairman, that the motion I have presented will have the full support of the shareholders and that the sentiments I have expressed will be shared by them all."

Mr. Eadie said:

"I am proud indeed to be associated with Mr. Pembroke in these words of appreciation to the officers and staff of this great institution.

"The financial results that have been tabulated and presented to us speak volumes as to the reason for our appreciation. There is, however, another side to the coin about which nothing reaches the statistical record. I have in mind the impression that has been made during the year on people, hundreds of thousands of people. Nothing is more important to our continued welfare.

"Be it a contact in a sub-agency or in the main branch in a metropolitan centre that contact enhances or detracts from the image that any individual has of MY BANK. We build our foundation of public goodwill bit

by bit and day by day. And so our appreciation goes out to each employee for his or her technical performance, but beyond that for the little extra effort to brighten our public image."

Mr. Mulholland, responding, said:

"It is my pleasant duty, on behalf of the executive officers, the managers and staff, as well as on my own behalf, to thank you most warmly for this resolution and for the very generous terms in which it was moved by Mr. Pembroke and seconded by Mr. Eadie.

"In my earlier remarks I paid tribute to the exceptional contribution made by the staff during what was a very unusual year and there is little I can now add. I know, however, that this renewed expression of the confidence and esteem of our directors and shareholders will be deeply appreciated by every member of the staff."

The Chairman then said:

"The remaining business before the meeting is the balloting for the appointment of auditors and the election of directors for the ensuing year. The ballot is now open for these purposes and I will ask the Secretary to read the names of those proposed for election as directors."

The Secretary then read to the Meeting the list of proposed directors as follows:

W. A. Arbuckle, R. C. Berkinshaw, C.B.E.; Paul Bienvenu, Henry G. Birks, George W. Bourke, Ralph B. Brenan, H. Roy Crabtree, N. R. Crump, T. W. Eadie, Harold S. Foley, G. Blair Gordon, G. Arnold Hart, H. G. Hilton, The Right Honourable C. D. Howe, P.C.; R. G. Ivey, Q.C.; A. C. Jensen, Robert A. Laidlaw, J. A. MacAulay, Q.C.; David G. McConnell, D. R. McMaster, Q.C.; H. C. F. Mockridge, Q.C.; The Hon. Hartland deM. Molson, O.B.E.; Kenneth J. Morrison, O.B.E., F.C.A.; J. Pembroke, C.B.E.; J. V. R. Porteous, R. E. Powell, H. Greville Smith, C.B.E.; R. E. Stavert, Noah A. Timmins, Jr.; Col. The Hon. Clarence Wallace, C.B.E., and Henry S. Wingate.

Mr. P. T. Molson nominated the gentlemen whose names had been read by the Secretary for election as directors of the Bank for the ensuing year.

The ballot for the appointment of the auditors and the election of directors was then proceeded with.

The scrutineers appointed for the purpose reported that Messrs. George S. Currie, C.A., and C. Gordon Wallace, C.A., were duly appointed auditors; and that the gentlemen named in the list read by the Secretary and nominated by Mr. Molson had been elected directors.

Mr. A. J. Livinson made a number of suggestions about the amenities of the addition to the head office building which the Chairman said would be considered by the board. Dr. R. Monahan also spoke.

The meeting then terminated.

At a subsequent meeting, the Board of Directors re-elected A. C. Jensen, Chairman of the Board, G. Arnold Hart, President, and J. A. MacAulay, Q.C., Vice-President; and elected R. G. Ivey, Q.C., as Vice-President.

Bank of Montreal

FOUNDED IN 1817

Executive Officers

CHAIRMAN OF THE BOARD

Arthur C. Jensen

PRESIDENT

G. Arnold Hart

GENERAL MANAGER

R. D. Mulholland

ASSISTANT GENERAL MANAGERS

J. M. Jackson

J. H. F. Turner, O.B.E. — W. T. G. Hackett — R. L. Bailey (*Resident Winnipeg*) — C. T. Aulph

P. H. Howarth — R. Smillie — E. R. Ernst — A. J. Ellis

J. A. Hobson (*Resident Toronto*) — W. H. Collie — W. E. Stewart

J. L. Walker (*Resident Vancouver*) — T. D. Lewis

J. V. Walters, *Assistant to the General Manager*

W. A. Hotson, *Assistant to the General Manager, Staff*

Secretary	*Chief Accountant*	*Chief Inspector*
C. W. Harris	R. H. Fry	F. S. Harrison

SUPERINTENDENTS

British Columbia District	L. E. Tritschler, *Vancouver*
Alberta District	W. C. Morley, *Calgary*
Manitoba and Saskatchewan District	F. S. Sharpe, *Winnipeg*
Western Division — Head Office	R. L. Sheard, *Montreal*
Ontario Division — Toronto	A. J. N. Foss, *Toronto*
Ontario Division — Toronto	J. C. Brown, *Toronto*
Ontario Division — Head Office	C. E. Noblet, *Montreal*
Montreal District	M. Window, *Montreal*
Quebec District	J. E. V. L. Gelly, *Montreal*
Atlantic Provinces District	D. B. Peters, *Halifax*
Staff	F. M. Brady, *Montreal*
International Department	E. J. Pulton
International Department	D. R. McCallum
Securities Department	W. D. Small

Economic Adviser
E. A. Walton

Supervisor, Shareholder Services
R. L. Smith

International Organization

(October 31st, 1959)

810 offices in Canada, the United States, United Kingdom and Europe

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ALBERTA	88	NEWFOUNDLAND	18	QUEBEC	155
BRITISH COLUMBIA	116	NOVA SCOTIA	24	SASKATCHEWAN	49
MANITOBA	41	ONTARIO	285	YUKON	2
NEW BRUNSWICK	17	PRINCE EDWARD ISLAND	2	NORTHWEST TERRITORIES	1

● OUTSIDE Canada

GREAT BRITAIN

LONDON—Main Office, 47 Threadneedle Street, London, E.C.2: E. A. ROYCE, *Manager*, D. H. MANSFIELD, *Deputy*, C. H. REDMAN, R. M. COLLIER, *Assistants*

West End Office, 9 Waterloo Place, London, S.W.1: E. J. BENSON, *Manager* D. W. YUILL, *Assistant*

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NEW YORK, N.Y.—Agency—Bank of Montreal, Two Wall Street, New York 5: G. V. ADAMS, J. C. H. KENNER, J. B. LESSLIE, J. JUBB, *Agents*, W. J. WILSON, *Assistant Agent*

Bank of Montreal Trust Company, Two Wall Street, New York 5: G. V. ADAMS, *President* J. C. H. KENNER, C. E. NEUEBAUMER, *Vice-Presidents*, G. M. G. JOHNSTONE, *Secretary*, R. A. POHJOLA, *Treasurer & Assistant Secretary*

SAN FRANCISCO, CALIF.
Bank of Montreal (San Francisco), 333 California Street, San Francisco 4: A. ST. C. NICHOL, *President* F. R. SOUTHEE, *Vice-President*

CHICAGO, ILL.
Resident Representative's Office, Suite 2700, Board of Trade Bldg., 141 West Jackson Boulevard, Chicago 4: NIELS KJELDSEN, T. A. O'DONNELL, *Resident Representatives*

EUROPE

PARIS—European Representative's Office, No. 10, Place Vendôme, Paris, 1er: G. F. BOE, *European Representative* J. O. F. LAMOUREUX, *Assistant European Representative*, J. J. J. PICARD, *Special Representative*

Offices for Armed Services at Marville, Grostenquin and Metz, in France, and at Baden Soellingen, Zweibrucken, Soest, Hemer and Werl in Germany.

CARIBBEAN AREA

Affiliate: BANK OF LONDON & MONTREAL, LIMITED

Head Office: Nassau, Bahamas

THE BAHAMAS
Nassau (*branch attached to Head Office*)

COLOMBIA
Bogota
Bogota, Calle 13 (*Agency*)
Barranquilla
Cali
Medellin

ECUADOR
Guayaquil
Quito
Quito, Northern (*Agency*)

EL SALVADOR
San Salvador
San Salvador, Escalon (*Agency*)
San Miguel (*Agency*)
Santa Ana (*Agency*)

GUATEMALA
Guatemala City
Guatemala City, Plazuela Once de Marzo (*Agency*)

HONDURAS
Tegucigalpa

NICARAGUA
Managua

*VENEZUELA
Caracas
Caracas, Avenida Francisco Miranda (*Agency*)

THE WEST INDIES
Jamaica:
Kingston
†*Trinidad:*
Port-of-Spain

**For the present, branches in Venezuela continue to operate as Bank of London & South America Ltd.*

†Scheduled to open early 1960.

INTERNATIONAL DEPARTMENT — HEAD OFFICE, MONTREAL

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save both at . . . "MY BANK"

TO 2 MILLION CANADIANS

B of M

This is the timely advice of a popular B of M advertising slogan. The message provides a natural tie-in at hundreds of points across Canada where the B of M clock, designed in the basic shape of the "MY BANK" insignia, is fast becoming a familiar time-piece for local residents.

The newest type of B of M clock is shown in the colour reproduction on this page and stands in front of the St. Peter and St. James Streets Branch in Montreal. The clock, with convex facing of clear plastic, revolves for the benefit of the observer approaching the branch at any angle. It is designed to function accurately in all types of weather, and its performance since installation last winter fully bears out the profession of the manufacturers.

This installation, the first of its kind, has been most successful and is being followed at several branches across the country.